

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 H-03 FTC-01 NSC-07

SS-20 STR-08 CEA-02 DRC-01 /142 W

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R 022039Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3621

C O N F I D E N T I A L CARACAS 3872

E.O. 11652: GDS

TAGS: ECON PINT

SUBJECT: PRELIMINARY REACTIONS OF CADA TO PRESIDENT PEREZ'S
SPEECH OF APRIL 29

1. I RECEIVED A VISIT THIS MORNING FROM HARVEY SCHWARTZ, WHO IS ONE OF RODMAN ROCKEFELLER'S RIGHT HAND MEN IN IBEC AND WHO, BY SOME PROVIDENTIAL COINCIDENCE, IS ALSO PRESIDENT OF IBEC'S SEPARATE CORPORATION FOR MANAGEMENT.

2. SCHWARTZ HAD COVERED A FAIRLY WIDE RANGE OF IMPORTANT VENEZUELAN BUSINESSMEN DURING HIS TWO DAYS IN CARACAS AND, DESPITE SEEMING CUTDOWN OF IBEC ENTERPRISES FROM THEIR PRESENT 51 PER CENT HOLDINGS OF CADA TO 20 PER CENT, IS NOT UNDULY APPREHENSIVE AT THE EVENTUAL OUTCOME. HE HAD IN MIND, IN RESPONSE TO MY OWN SUGGESTION, THAT SOME AMERICAN COMPANIES IN CATEGORY MENTIONED BY PRESIDENT IN APPLICATION OF DECISION 24 MIGHT MAKE UP IN MANAGERIAL FEES WHAT THEY MIGHT OTHERWISE HAVE LOST IN DIVIDENDS.

3. SCHWARTZ SAYS THAT HE WAS APPROACHED BY SEVERAL IMPORTANT ADECOS, INCLUDING MINISTER OF FINANCE HURTADO, WITH AN INQUIRY AS TO HOW VENEZUELA COULD ELABORATE A MORE EFFECTIVE CAPITAL INVESTMENT LAW THAN THAT RECENTLY PUT ON THE BOOKS BY THE
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COPEI GOVERNMENT (WITH SOME COVERT ASSISTANCE FROM AN AID

EXPERT SUMMONED UP FROM SAO PAULO). ON HIS OWN, SCHWARTZ VOLUNTEERED READINESS OF IBEC TO PROVIDE A SPANISH EXPERT WHO HAD WORKED OUT INVESTMENT CODES FOR SPAIN AND A NUMBER OF SOUTH AMERICAN COUNTRIES. HE HAD IMPRESSION THAT MINISTER OF FINANCE DID NOT WANT TO MOVE RAPIDLY ON ANY OF PRESIDENT PEREZ'S ANNOUNCED MEASURES UNLESS THERE HAD BEEN PREPARED A PROPER STOCK MARKET. ABOVE ALL (AS THIS MORNING'S PAPERS REFLECT), NEW ADMINISTRATION DOES NOT WANT DILUTION OF OWNERSHIP IN FOREIGN-HELD FIRMS MERELY TO GO TO A FEW FAT CAT VENEZUELAN FAMILIES.

4. ON THE WHOLE, SCHWARTZ TAKES A FAIRLY OPTIMISTIC VIEW AS TO IBEC'S FUTURE HERE AND SAID HE WOULD SO REPORT TO RODMAN ROCKEFELLER TOMORROW. SCHWARTZ'S VISIT HAD NO REPEAT NO CONNECTION WITH THAT OF NELSON ROCKEFELLER; IN FACT, SCHWARTZ DID NOT EVEN KNOW NELSON WAS IN TOWN UNTIL LAST NIGHT.
MCCLINTOCK

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